

# House Bill 2056

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of Governor Kate Brown for Housing and Community Services Department)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Establishes Housing Development Grant Program. Decouples program from Housing Development and Guarantee Account. Eliminates Housing and Community Services Department's ability to lend account funds.

Expands Guarantee Fund's income eligibility to allow use by moderate income borrowers. Allows department to transfer surplus funds from Housing Development and Guarantee Account to Affordable Housing Land Acquisition Revolving Loan Program.

## A BILL FOR AN ACT

1  
2 Relating to the Housing Development and Guarantee Account; amending ORS 458.610, 458.620,  
3 458.625, 458.630 and 458.650.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 458.625 is amended to read:

6 458.625. (1) *[The]* **There is established the Housing Development Grant Program in the**  
7 Housing and Community Services Department *[may use the following to expand this state's]* **for the**  
8 **purpose of expanding the** supply of **affordable rental** housing for persons with *[a]* low or very low  
9 income. *[, including, but not limited to, housing for persons over 65 years of age, persons with disa-*  
10 *bilities, farmworkers and Native Americans:]*

11 *[(a) The amount of moneys credited to the Housing Development and Guarantee Account that the*  
12 *department determines may be used for the purposes identified in this subsection and that is not used*  
13 *for the purposes set forth in ORS 458.630; and]*

14 *[(b) The revenue earned from investment of the principal in the Housing Development and Guar-*  
15 *antee Account.]*

16 (2) The *[department may use account moneys and account investment revenue for the following*  
17 *purposes]* **program shall pay the costs incurred in the administration of the program and**  
18 **award grants:**

19 *[(a) In the form of grants or loans as determined by the department:]*

20 *[(A)]* **(a)** To assist organizations and for-profit business entities in constructing new housing, or  
21 in acquiring or rehabilitating existing structures, for housing for persons with *[a]* low or very low  
22 income.

23 *[(B)]* **(b)** To provide nonprofit organizations, as set forth in ORS 458.210 to 458.240, with tech-  
24 nical assistance or predevelopment costs. Predevelopment costs include*[, but are not limited to,]* site  
25 acquisition, architectural services and project consultants. *[Predevelopment costs do not include costs*  
26 *described in subparagraph (C) of this paragraph.]*

27 *[(C)]* **(c)** *[To pay for costs]* To develop nonprofit organizations that show sufficient evidence of  
28 having strong community support and a strong likelihood of producing housing for persons with *[a]*

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 low or very low income. *[Account moneys and account investment revenue]* **Grants** may not be used  
2 by an organization for its general operations.

3 *[(D)]* **(d)** To match public and private moneys available from other sources for production of  
4 housing for persons with *[a]* low or very low income.

5 *[(b) To pay costs and expenses incurred in the administration of the account as provided for in the*  
6 *legislatively approved budget, as that term is defined in ORS 291.002, for the department.]*

7 (3) The department shall give preference in making grants *[or loans]* **from the program** to those  
8 entities that the department determines will:

9 (a) *[Provide]* **Construct, acquire or rehabilitate** the greatest number **per dollar granted** of  
10 housing units for persons with *[a]* low or very low income *[that are constructed, acquired or reha-*  
11 *ilitated for the amount of account moneys and account investment revenue expended]* by **acquiring**  
12 **matching funds** *[account moneys and account investment revenue with]* **or** other grant, loan or eligible  
13 in-kind contributions;

14 (b) Ensure the longest use for the units as housing for persons with *[a]* low or very low income;  
15 or

16 (c) *[Include social services to occupants of the proposed housing, including but not limited to,*  
17 *programs]* **Offer the occupants of the proposed housing services relevant to identified needs,**  
18 **including services** that address home health care, mental health care, alcohol and drug treatment  
19 and post-treatment care, child care *[and]* **or** case management.

20 *[(4)(a) Account investment revenue derived in any calendar year may be used to construct, acquire*  
21 *or rehabilitate housing for persons with a low or very low income but not more than 25 percent of the*  
22 *account investment revenue may be used to construct, acquire or rehabilitate housing for persons with*  
23 *a low income.]*

24 *[(b) Account moneys and account investment revenue not used by the department as grants or loans*  
25 *to construct, acquire or rehabilitate housing for persons with a low or very low income may be retained*  
26 *and credited as account principal.]*

27 *[(5)]* **(4)** The Oregon Housing Stability Council *[shall adopt a policy that provides for distribution*  
28 *by the department of account moneys and account investment revenue]* **may adopt policies obligating**  
29 **the department to distribute grants** statewide while concentrating *[account moneys and account*  
30 *investment revenue]* **grants from the program** in those areas of this state with the greatest need,  
31 as determined by the council, for housing for persons with *[a]* low or very low income.

32 *[(6) The department may set interest rates on loans made with account moneys and account in-*  
33 *vestment revenue.]*

34 **SECTION 2.** ORS 458.630 is amended to read:

35 458.630. (1)*[(a)]* The Housing and Community Services Department may *[hold and]* use the  
36 *[principal that is credited to the]* Housing Development and Guarantee Account *[as the]* **to establish**  
37 **a Guarantee Fund.** The department may use the fund **to pay the costs and expenses incurred in**  
38 **the administration of the fund and** to guarantee repayment of loans made to finance the con-  
39 struction, development, acquisition or rehabilitation of:

40 *[(A)]* **(a)** Housing for **rental or ownership by** persons with *[a low or]* very low, **low or mod-**  
41 **erate** income; or

42 *[(B)]* **(b)** The commercial component of a structure that contains both commercial property and  
43 housing for persons with *[a low or]* very low, **low or moderate** income.

44 *[(b)]* **(2)** The department, *[by rule,]* shall specify **by rule** the grounds on which it may deny loan  
45 guarantees for a structure *[that contains both housing for persons with a low or very low income and*

1 a commercial component. The grounds for denial specified by the department must include, but need  
 2 not be limited to,] **described under subsection (1)(b) of this section, including the grounds that**  
 3 **the structure contains** a commercial component that is excessive in scope or that is [*designed for*  
 4 *commercial activity*] of a type incompatible with residential housing.

5 [(c)] (3) The Oregon Housing Stability Council shall review **and approve policies for under-**  
 6 **writing** loans [*that are*] guaranteed by the **Guarantee** Fund to ensure that the loans meet prudent  
 7 underwriting standards.

8 [(d)] (4) A guarantee may not be prepared or construed in such a manner as to violate the  
 9 provisions of Article XI, section 7, of the Oregon Constitution.

10 [(2)] (5) The department may not issue any loan guarantee under this section that:

11 (a) Guarantees the repayment of more than 50 percent of the original principal balance of any  
 12 loan[.]; **or**

13 [(3)] (b) [*The department may not issue a loan guarantee if the guarantee*] Would cause the ag-  
 14 gregate dollar amount of all loan guarantees issued by the department under this section to exceed  
 15 two times the total amount then in the Guarantee Fund. [*established under subsection (1) of this*  
 16 *section. Notwithstanding ORS 458.625, whenever payouts on loan guarantees cause the fund principal*  
 17 *to decrease by five percent or more, the interest on the fund shall be deposited only to the principal*  
 18 *account until the amount of the fund principal lost due to payouts on loan guarantees is restored.*]

19 [(4)] Subject to council review under subsection (1) of this section, the department shall give pref-  
 20 erence for loan guarantees under this section to loans described in subsection (1)(a) of this section]

21 (6) **The council may adopt preferences for using the Guarantee Fund to guarantee loans**  
 22 that the department determines will:

23 (a) Provide the greatest number of housing units for persons with [*a low or*] very low, **low or**  
 24 **moderate** income constructed, acquired, developed or rehabilitated for the amount of guarantee al-  
 25 lowed;

26 (b) Ensure the longest possible use for the units as housing units for persons with [*a low or*] very  
 27 low, **low or moderate** income; or

28 (c) Include a program of services for the occupants of the proposed housing including, but not  
 29 limited to, programs that address home health care, mental health services, alcohol and drug treat-  
 30 ment and post-treatment care, child care [*and*] **or** case management, **if the housing proposed is**  
 31 **multifamily rental housing.**

32 [(5)] (7) The council may adopt a policy that gives loan guarantee preference to loans for  
 33 housing or structures described in subsection (1)[(a)] of this section for which the department has  
 34 provided a grant, loan, tax credit or other investment.

35 (8) **Subject to approval by the council, each fiscal year the department may make a**  
 36 **transfer from the Housing Development and Guarantee Account to the Affordable Housing**  
 37 **Land Acquisition Revolving Loan Program under ORS 456.502 in an amount not to exceed 50**  
 38 **percent of the difference between the balance of the Guarantee Fund and one-half of the**  
 39 **aggregate amount of all outstanding loans guaranteed by the Guarantee Fund.**

40 **SECTION 3.** ORS 458.610 is amended to read:

41 458.610. For purposes of ORS 458.600 to 458.665:

42 (1) "Council" means the Oregon Housing Stability Council established in ORS 456.567.

43 (2) "Department" means the Housing and Community Services Department established in ORS  
 44 456.555.

45 (3) "Low income" means income that is more than 50 percent and not more than 80 percent of

1 the median family income for the area, subject to adjustment for areas with unusually high or low  
 2 incomes or housing costs, all as determined by the council based on information from the United  
 3 States Department of Housing and Urban Development.

4 (4) "Minority" means an individual:

5 (a) Who has origins in one of the black racial groups of Africa but who is not Hispanic;

6 (b) Who is of Hispanic culture or origin;

7 (c) Who has origins in any of the original peoples of the Far East, Southeast Asia, the Indian  
 8 subcontinent or the Pacific Islands; or

9 (d) Who is an American Indian or Alaskan Native having origins in one of the original peoples  
 10 of North America.

11 **(5) "Moderate income" means income that is more than 80 percent and not more than**  
 12 **120 percent of the median family income for the area, subject to adjustment for areas with**  
 13 **unusually high or low incomes or housing costs, all as determined by the council based on**  
 14 **information from the United States Department of Housing and Urban Development.**

15 [(5)] (6) "Organization" means a:

16 (a) Nonprofit corporation established under ORS chapter 65;

17 (b) Housing authority established under ORS 456.055 to 456.235; or

18 (c) Local government as defined in ORS 197.015.

19 [(6)] (7) "Persons with disabilities" means persons with handicaps described in 42 U.S.C. 3602(h).

20 [(7)] (8) "Very low income" means income that is 50 percent or less of the median family income  
 21 for the area, subject to adjustment for areas with unusually high or low incomes or housing costs,  
 22 all as determined by the council based on information from the United States Department of Housing  
 23 and Urban Development.

24 [(8)] (9) "Veteran" has the meaning given that term in ORS 408.225.

25 **SECTION 4.** ORS 458.620 is amended to read:

26 458.620. (1) There is created, separate and distinct from the General Fund of the State Treasury,  
 27 the Oregon Housing Fund, which consists of six separate revolving accounts:

28 (a) The Housing Development and Guarantee Account;

29 (b) The Emergency Housing Account;

30 (c) The Home Ownership Assistance Account;

31 (d) The Farmworker Housing Development Account;

32 (e) The General Housing Account; and

33 (f) The Wildfire Damage Housing Relief Account.

34 (2) Earnings on investment of moneys in:

35 (a) The Housing Development and Guarantee Account accrue to that account.

36 (b) The Emergency Housing Account accrue to that account.

37 (c) The Home Ownership Assistance Account accrue to that account.

38 (d) The Farmworker Housing Development Account accrue to that account.

39 (e) The General Housing Account accrue to that account.

40 (f) The Wildfire Damage Housing Relief Account accrue to that account.

41 (3)(a) Moneys in the Housing Development and Guarantee Account are continuously appropri-  
 42 ated to the Housing and Community Services Department to carry out the provisions of ORS  
 43 [458.625 and] 458.630.

44 (b) Moneys in the Emergency Housing Account are continuously appropriated to the department  
 45 to carry out the provisions of ORS 458.650.

1 (c) Moneys in the Home Ownership Assistance Account are continuously appropriated to the  
2 department to carry out the provisions of ORS 458.655.

3 (d) Moneys in the Farmworker Housing Development Account are continuously appropriated to  
4 the department to carry out the provisions of ORS 458.660.

5 (e) Moneys in the General Housing Account are continuously appropriated to the department  
6 to carry out the provisions of ORS 456.515 to 456.725.

7 (f) Moneys in the Wildfire Damage Housing Relief Account are continuously appropriated to the  
8 department to carry out the provisions of ORS 458.667.

9 (4) Individuals and corporations, both for profit or nonprofit, may make monetary contributions  
10 to be credited to:

11 (a) The Housing Development and Guarantee Account; or

12 (b) The General Housing Account.

13 **SECTION 5.** ORS 458.650 is amended to read:

14 458.650. (1) The Emergency Housing Account shall be administered by the Housing and Com-  
15 munity Services Department to assist homeless persons and those persons who are at risk of be-  
16 coming homeless. An amount equal to 25 percent of moneys deposited in the account pursuant to  
17 ORS 294.187 is dedicated for expenditure for assistance to veterans who are homeless or at risk of  
18 becoming homeless. For purposes of this section, "account" means the Emergency Housing Account.

19 (2) The Oregon Housing Stability Council, with the advice of the Community Action Partnership  
20 of Oregon, shall develop policy for awarding grants to organizations that shall use the funds:

21 (a) To provide to low and very low income persons, including but not limited to, persons more  
22 than 65 years of age, persons with disabilities, farmworkers and Native Americans:

23 (A) Emergency shelters and attendant services;

24 (B) Transitional housing services designed to assist persons to make the transition from  
25 homelessness to permanent housing and economic independence;

26 (C) Supportive housing services to enable persons to continue living in their own homes or to  
27 provide in-home services for such persons for whom suitable programs do not exist in their ge-  
28 ographic area;

29 (D) Programs that provide emergency payment of home payments, rents or utilities; or

30 (E) Some or all of the needs described in subparagraphs (A) to (D) of this paragraph.

31 (b) To align with federal strategies and resources that are available to prevent and end  
32 homelessness.

33 (3)(a) The council shall require as a condition of awarding a grant that the organization dem-  
34 onstrate to the satisfaction of the council that the organization has the capacity to deliver any  
35 service proposed by the organization.

36 (b) Any funds granted under this section shall not be used to replace existing funds. Funds  
37 granted under this section may be used to supplement existing funds. An organization may use funds  
38 to support existing programs or to establish new programs.

39 (c) The council, by policy, shall give preference in granting funds to those organizations that  
40 *[coordinate services with those programs]* **receive grants from the Housing Development Grant**  
41 **Program** established under ORS 458.625.

42 (4) The department may expend funds from the account for administration of the account as  
43 provided for in the legislatively approved budget, as that term is defined in ORS 291.002, for the  
44 department.